

**2012 WATER & WASTEWATER
FINANCIAL PLAN**



February 13, 2012

Moved by:

Seconded by:

RESOLUTION R1-2012

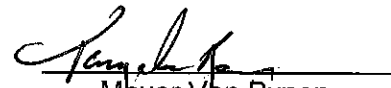
WHEREAS the Corporation Town of Newmarket was issued a municipal drinking water license on August 23, 2011 under the *Safe Drinking Water Act*, 2002, S.O. 2002, c.32;

AND WHEREAS the *Safe Drinking Water Act*, 2002, Regulation 453/07 requires the owner of the drinking water system to prepare and approve a financial plan for the system;

AND WHEREAS Regulation 453/07 requires that the financial plan be approved by a resolution that indicates that the drinking water system is financially viable and that is passed by the council of the municipality.

THEREFORE BE IT RESOLVED by the Municipal Council of the Corporation of the Town of Newmarket as follows:

1. **THAT the Council of the Corporation of the Town of Newmarket approved the six year water financial plan;**
2. **AND THAT the Newmarket Distribution System is financially viable.**


Mayor Van Bynen



Mike Mayes, Director
Financial Services

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TOWN OF NEWMARKET
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January 6, 2012

**JOINT COMMUNITY SERVICES – PUBLIC WORKS SERVICES
AND CORPORATE SERVICES – FINANCIAL SERVICES REPORT 2012-01**

TO: Mayor Tony Van Bynen and Members of Council
Committee of the Whole

SUBJECT: Water and Wastewater Financial Plan

ORIGIN: Director, Public Works
Director, Financial Services/Treasurer

RECOMMENDATIONS

THAT Joint Community Services – Public Works Services and Corporate Services – Financial Services Report 2012-01 dated January 6, 2012 regarding The Six Year Water and Wastewater Financial Plan be received and the following recommendations be adopted:

1. THAT Council adopt the six year water financial plan;
2. AND THAT Council adopt the six year wastewater financial plan;
3. AND THAT the attached Resolution be forwarded to Council for adoption.

COMMENTS

Purpose

The purpose of this report is to obtain Council approval of the six year water and wastewater financial plan and the resolution indicating that the Town's drinking water system is financially viable. The six year water financial plan is required by the Safe Drinking Water Act.

The plan must be approved by February 23, 2012.

Budget Impact

There is no direct budget impact from this report. However, the adopted six year financial plan will form the basis of the water and wastewater budget for future years.

Summary

The Plan is in compliance with regulation O. Reg. 453/07 and has all the elements required. The financial sustainability of the six year water and wastewater plan is measured by the financial indicators as outlined by BMA Consulting Inc. The main indicators are capital reserves as a % of accumulated amortization and the rate stabilization reserve as a % of rate revenue, which are projected to be 50% and 10%, respectively, by the end of year 2017.

Background

Under the Safe Drinking Water Act, 2002, S.O. 2002, c.32, the Town obtained a municipal drinking water licence for its drinking water distribution system on August 23, 2011. As per the Safe Drinking Water Act regulation O. Reg. 453/07, the Town must provide to the Ministry of Municipal Affairs and Housing a minimum six year water financial plan within six months after the date the licence issued. The first year of the financial plan is the year in which the licence was issued.

The six year financial plan must include details of the proposed or projected financial operations of the drinking water system itemized by total revenues, total expenses, annual surplus or deficit and accumulated surplus or deficit. Therefore, projected six year financial statements for the water and wastewater areas have been prepared to meet the requirement.

The financial plan must be approved by a Council resolution that indicates that the drinking water system is financially viable.

While the financial plan is only mandatory for water systems, wastewater systems have been included in the financial plan as the Sustainable Water and Sewage Systems Act, 2002 (SWSSA) requires that both water and wastewater systems are self-financing. Due to the counter-reliant nature of the water and wastewater systems, the presentation of a plan for just the water system would also pose some difficulties in separating and reporting such data. This decision was included in the Corporate Services – Financial Services Report 2011-52 to the Committee of the Whole in November 2011.

The six year financial plan will form the basis of water and wastewater budget for future years.

Analysis & Options

Financial Sustainability Measurement

The following indicators for financial condition assessments, as outlined by BMA Management Consulting Inc., will be utilized as measurement tools for financial sustainability of the plan:

- Operating Surplus
- Asset Consumption Ratio
- Capital Reserves as a % of Accumulated Amortization
- Rate Stabilization Reserves as a % of Rate Revenues
- Debt Service Costs as a % of Net Revenues

The above indicators were included in the Corporate Services – Financial Services Report 2011-52, presented to the Committee of the Whole in November, 2011.

The target for rate stabilization reserves is 5-10% of rate revenue. The target for capital reserves is 100% of accumulated amortization.

Assumptions

Several assumptions have been made to develop the six year financial plan. These assumptions are based on historical trends and forecasted challenges. The main assumptions are listed below:

- Water consumption volume: unchanged for the next six years. This assumes increase in consumption volume due to population growth will be offset by conservation per capita, as shown in the historical trend.
- Consumer price index: 2% each year.
- Regional water rate: the Region forecasted 8% increase each year for 2012-2015, 6% and 4% for 2016 and 2017 respectively.
- Regional wastewater rate: the Region forecasted 12% increase each year for 2012-2015, 8% and 6% for 2016 and 2017 respectively.
- Non-revenue water consumption: 18% each year for 2012-2016, 10% for 2017. It is projected that flushing will not be an issue starting 2017.
- Non-revenue wastewater: 13% each year for 2012-2016, and 10% for 2017.
- Monthly charge: increase \$2 each year from \$10 in 2012 to \$20 in 2017. The increase in the basic monthly charge is to improve the correlation between fixed revenues and fixed expenses, as well as to improve revenue stability.
- No major changes to the current operations of water and wastewater for 2012-2017.
- No lead service pipes as defined in section 15.1-3 of Schedule 15.1 to Ontario Regulation 170/03 (Drinking Water Systems) are known to exist in the Town's drinking water distribution system. Should any lead service pipes be found in the future, they will be immediately replaced.

Factors Not Considered

Several factors are being investigated but are not considered in the six year financial plan. These factors include:

- Uploading water system to the Regional Municipality of York currently under consideration.
- Implementation of remote/smart meters and supporting technology. The total estimated cost is \$2 – 5 million. There should be sufficient capacity to cover the investment. If implemented, the amortization expense would increase and would be partially offset by efficiency gain in operating such as reduction in meter reading costs. At this time, there is insufficient information to justify the investment on a purely financial basis. The financial plan would need to be revised to reflect the implementation.
- Tiered water and wastewater rates and the potential revenue. This information was included in the Corporate Services – Financial Services Report 2011-53 regarding the Utility Rate Structure, presented to the Committee of the Whole in November 2011.
- N6 initiative to review water billing and possible efficiency gains.
- Maintenance and operation of the stormwater management system has not been included. The second phase of the Service Review Program is researching funding options. Consideration may be given to setting up a rate group and financial planning on a basis similar to that for water and wastewater.
- Annual Capital programs financed by the water rates may be impacted by requirements for development within the municipality, timing of that development or by the evolving Regional water and waste water treatment programs. Following completion of the Secondary Plan the Engineering Department will be completing updated Master Plans for the water, wastewater and storm water systems which may also impact on the capital requirements.

Projected Results

The projected water and wastewater rate and the financial indicators for the period 2011-2017 are as follows:

Combined Utility Charges - Water & Wastewater

Description	2011	2012	2013	2014	2015	2016	2017
Town's water rate increase	4.5%	2%	4%	4%	4%	4%	3%
Town's wastewater rate increase	13.5%	5.5%	6%	6%	6%	6%	3%
Combined utility rates per cubic metre (Taxable properties)	\$2.531	\$2.625	\$2.755	\$2.893	\$3.038	\$3.190	\$3.286
Monthly charge	\$14.00	\$20.00	\$24.00	\$28.00	\$32.00	\$36.00	\$40.00
Average bill (based on annual consumption of 250 cubic metres)	\$801	\$896	\$977	\$1,059	\$1,143	\$1,230	\$1,301
Monthly charge as a % of average bill	21.0%	26.8%	29.5%	31.7%	33.6%	35.1%	36.9%
Average bill increase %	10.3%	11.9%	9.0%	8.4%	7.9%	7.5%	5.8%

Water and Wastewater System Financial Indicators Forecast

Key Financial Indicators	2011	2012	2013	2014	2015	2016	2017
Operating Surplus (in millions)	\$0.60	\$1.50	\$1.85	\$2.13	\$2.25	\$2.85	\$4.90
Asset Consumption Ratio	34.4%	35.5%	37.1%	38.3%	40.0%	41.1%	43.2%
Capital Reserves as a % of Accumulated Amortization***	39.2%	40.8%	42.0%	43.8%	44.1%	44.3%	50.4%
Rate Stabilization Reserves as a % of Rate Revenues	0.0%	0.2%	0.8%	2.8%	6.0%	10.0%	10.0%
Debt Service Costs as a % of Net Revenues	4.8%	4.7%	4.4%	4.1%	3.4%	3.2%	3.0%

*** This calculation is based on useful life of 50 years for water and wastewater tangible capital assets. If using 80 years useful life, capital reserves will be 77.5% of the accumulated amortization by 2017.

Next Steps

In accordance with the regulations:

- A copy of the financial plan will be sent to the Ministry of Municipal Affairs and Housing
- The plan will be made available to the public in both hardcopy and posting on the Town's website
- Notice will be given to the public advising them that the financial plan is available.

Although updates to the financial plan are not required until the municipal drinking water licence is renewed (6 years from now), it is the intention of staff to revise the plan on an annual basis as part of the Water and Wastewater Rate Groups' budget submissions.

BUSINESS PLAN AND STRATEGIC PLAN LINKAGES

This report links to Newmarket's key strategic directions in being Well Managed through fiscal responsibility.

CONSULTATION

The Corporate Services – Financial Services Report 2011-52 regarding the six year water and wastewater plan was presented to Committee of the Whole in November 2011 for information purposes.

The six year water and wastewater financial plan was prepared by both Financial Services and Public Works Services.

HUMAN RESOURCE CONSIDERATIONS

Not applicable to this report.

BUDGET IMPACT

Operating Budget (Current and Future)

This report has no direct impact on the Operating Budget. However, the adopted six year financial plan will form the basis of the water and wastewater budget for future years.

Capital Budget

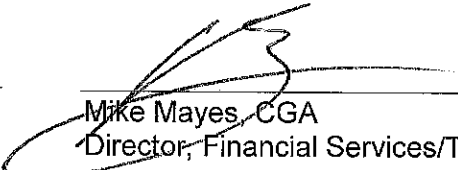
This report has no direct impact on the Capital Budget. The financial plan will ensure the adequacy for future capital funding.

CONTACT

For more information on this report, contact: Mike Mayes at 905-953-5300, ext. 2102 or via e-mail at mmayes@newmarket.ca; Brian Jones at 905-953-5300, ext.2551 or via email at bjones@newmarket.ca.



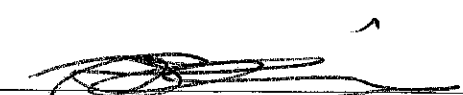
Brian F. Jones, P.Eng.
Director, Public Works Services



Mike Mayes, CGA
Director, Financial Services/Treasurer



Rob Prentice
Commissioner, Community Services



Robert K. Dixon, CMA
Commissioner, Corporate Services

The Corporation of the Town of Newmarket

Water Financial Plan

Plan Number: 124 - 301

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**THE CORPORATION OF THE TOWN OF NEWMARKET
WATER SYSTEM**

Statement of Financial Position

As at December 31

	2010	2011	2012	2013	FORECAST							
					2014	2015	2016	2017				
Financial Assets												
Cash and cash equivalents	\$13,320,000	\$14,666,000	\$16,336,000	\$18,213,000	\$20,801,000	\$23,488,000	\$25,494,000	\$30,593,000				
Accounts receivable	1,685,000	1,759,000	1,911,000	2,060,000	2,210,000	2,363,000	2,519,000	2,832,000				
Inventory for resale	52,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000				
Total Financial Assets	15,057,000	16,482,000	18,304,000	20,330,000	23,068,000	25,908,000	28,070,000	33,482,000				
Liabilities												
Accounts payable & accrued liabilities	1,868,000	1,830,000	1,976,000	2,135,000	2,305,000	2,490,000	2,639,000	2,744,000				
Interest payable on debt	375,000	338,000	304,000	269,000	233,000	196,000	155,000	114,000				
Deferred revenue	160,000	163,000	166,000	169,000	172,000	175,000	179,000	183,000				
Long-term debt	6,349,000	6,748,000	6,444,000	6,130,000	5,804,000	5,529,000	5,245,000	4,953,000				
Total Liabilities	8,752,000	9,079,000	8,890,000	8,703,000	8,514,000	8,390,000	8,218,000	7,994,000				
Net Financial Assets	6,305,000	7,403,000	9,414,000	11,627,000	14,554,000	17,518,000	19,852,000	25,488,000				
Non-Financial Assets												
Tangible Capital Assets	47,955,000	47,374,000	47,515,000	46,706,000	46,618,000	45,687,000	46,911,000	45,333,000				
Total Non-Financial Assets	47,955,000	47,374,000	47,515,000	46,706,000	46,618,000	45,687,000	46,911,000	45,333,000				
Total Net Assets	54,260,000	54,777,000	56,929,000	58,333,000	61,172,000	63,205,000	66,763,000	70,821,000				
Accumulated Surplus	\$54,260,000	\$54,777,000	\$56,929,000	\$58,333,000	\$61,172,000	\$63,205,000	\$66,763,000	\$70,821,000				

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THE CORPORATION OF THE TOWN OF NEWMARKET
WATER SYSTEM

Statement of Operations

For the years ended December 31

	2010	2011	2012	2013	FORECAST					
					2014	2015	2016	2017		
Revenues										
Rate based revenue	\$11,021,000	\$11,728,000	\$12,742,000	\$13,730,000	\$14,734,000	\$15,754,000	\$16,791,000	\$18,878,000		
Contributed / Assumed assets	1,104,000	-	1,100,000	-	1,100,000	-	1,100,000	-		
Gain on sale of tangible capital assets	620,000									
Investment income	170,000	173,000	176,000	180,000	184,000	188,000	192,000	196,000		
Other revenue	161,000	137,000	140,000	143,000	146,000	149,000	152,000	155,000		
Total Revenues	13,076,000	12,038,000	14,158,000	14,053,000	16,164,000	16,091,000	18,235,000	19,229,000		
Expenditures										
Water purchases	5,666,000	6,100,000	6,588,000	7,115,000	7,684,000	8,299,000	8,797,000	9,148,000		
Operating and maintenance	1,959,000	2,018,000	2,079,000	2,141,000	2,205,000	2,271,000	2,339,000	2,409,000		
Allocated overhead	1,056,000	1,627,000	1,525,000	1,556,000	1,587,000	1,619,000	1,651,000	1,684,000		
Interest expense	301,000	295,000	306,000	301,000	295,000	290,000	287,000	284,000		
Amortization	1,296,000	1,481,000	1,508,000	1,536,000	1,554,000	1,579,000	1,603,000	1,646,000		
Total Expenditures	10,278,000	11,521,000	12,006,000	12,649,000	13,325,000	14,058,000	14,677,000	15,171,000		
Annual Surplus / (Deficit)	2,798,000	517,000	2,152,000	1,404,000	2,839,000	2,033,000	3,558,000	4,058,000		
Accumulated Surplus, beginning of year	51,462,000	54,260,000	54,777,000	56,929,000	58,333,000	61,172,000	63,205,000	66,763,000		
Accumulated Surplus, end of year	\$54,260,000	\$54,777,000	\$56,929,000	\$58,333,000	\$61,172,000	\$63,205,000	\$66,763,000	\$70,821,000		

The accompanying notes are an integral part of these consolidated financial statements.

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THE CORPORATION OF THE TOWN OF NEWMARKET
WATER SYSTEM

Statement of Changes in Net Financial Assets

For the years ended December 31

	2010	FORECAST									
		2011	2012	2013	2014	2015	2016	2017			
Annual surplus / (Deficit)	\$2,798,000	\$517,000	\$2,152,000	\$1,404,000	\$2,839,000	\$2,033,000	\$3,558,000	\$4,058,000			
Less: Acquisition of tangible capital assets	(728,000)	(900,000)	(549,000)	(727,000)	(386,000)	(648,000)	(1,727,000)	(68,000)			
Less: Contributed tangible capital assets	(1,104,000)	0	(1,100,000)	0	(1,100,000)	0	(1,100,000)	0			
Add: Amortization of tangible capital assets	1,296,000	1,481,000	1,508,000	1,536,000	1,554,000	1,579,000	1,603,000	1,646,000			
Add: Proceeds from sale of TCA	787,000										
Less: Gain on sale of tangible capital assets	(620,000)										
Changes in Net Financial Assets	2,429,000	1,098,000	2,011,000	2,213,000	2,927,000	2,964,000	2,334,000	5,636,000			
Net Financial Assets, beginning of year	3,876,000	6,305,000	7,403,000	9,414,000	11,627,000	14,554,000	17,518,000	19,852,000			
Net Financial Assets, end of year	\$6,305,000	\$ 7,403,000	\$ 9,414,000	\$ 11,627,000	\$ 14,554,000	\$ 17,518,000	\$ 19,852,000	\$ 25,488,000			

The accompanying notes are an integral part of these consolidated financial statements.

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**THE CORPORATION OF THE TOWN OF NEWMARKET
WATER SYSTEM
Statement of Cashflow**

For the years ended December 31

	FORECAST									
	2010	2011	2012	2013	2014	2015	2016	2017		
Cash Provided By (Used in):										
Operating Activities										
Annual surplus/deficit	2,798,000	517,000	2,152,000	1,404,000	2,839,000	2,033,000	3,558,000	4,058,000		
Add: Amortization	1,296,000	1,481,000	1,508,000	1,536,000	1,554,000	1,579,000	1,603,000	1,646,000		
Less: Contributed/assumed assets	(1,104,000)	0	(1,100,000)	0	(1,100,000)	0	(1,100,000)	0		
Less: Gain on sale of tangible capital assets	(620,000)									
(Increase)/decrease in A/R	(5,000)	(74,000)	(152,000)	(149,000)	(150,000)	(153,000)	(156,000)	(313,000)		
(Increase)/decrease in inventory for resale	11,000	(5,000)	0	0	0	0	0	0		
Increase/(decrease) in A/P	(15,000)	(75,000)	112,000	124,000	134,000	148,000	108,000	64,000		
Increase/(decrease) in deferred revenue	28,000	3,000	3,000	3,000	3,000	3,000	4,000	4,000		
Net change in cash from operating activities	2,389,000	1,847,000	2,523,000	2,918,000	3,280,000	3,610,000	4,017,000	5,459,000		
Capital Activities										
Proceeds from sale of tangible capital assets	787,000									
Cash used to acquire tangible capital assets	(728,000)	(900,000)	(549,000)	(727,000)	(366,000)	(648,000)	(1,727,000)	(68,000)		
Net change in cash from capital activities	59,000	(900,000)	(549,000)	(727,000)	(366,000)	(648,000)	(1,727,000)	(68,000)		
Financing Activities										
Proceeds from debt issues	-	667,000								
Principal repayment on long-term debt	(261,000)	(268,000)	(304,000)	(314,000)	(326,000)	(275,000)	(284,000)	(292,000)		
Net change in cash from financing activities	(261,000)	399,000	(304,000)	(314,000)	(326,000)	(275,000)	(284,000)	(292,000)		
Net Change in Cash	2,187,000	1,346,000	1,670,000	1,877,000	2,588,000	2,687,000	2,006,000	5,099,000		
Cash, beginning of year	11,133,000	13,320,000	14,666,000	16,336,000	18,213,000	20,801,000	23,488,000	25,494,000		
Cash, end of year	\$13,320,000	\$ 14,666,000	\$ 16,336,000	\$ 18,213,000	\$ 20,801,000	\$ 23,488,000	\$ 25,494,000	\$ 30,593,000		

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to the Consolidated Water Financial Plan

The Town of Newmarket with a population of 84,000 is located in the Regional Municipality of York, Province of Ontario, Canada. The Town owns and operates its Drinking Water Distribution System that consists of 282 kilometers of distribution water mains and distributes drinking water to approximately 27,000 property owners. The Region of York is responsible for water supply, production, treatment, storage, and trunk distribution.

1. SAFE DRINKING WATER ACT

Under the *Safe Drinking Water Act*, 2002, S.O. 2002, c.32, the Town was issued municipal drinking water licence for its drinking water distribution system on August 23, 2011. As per *Safe Drinking Water Act* regulation O. Reg. 453/07, the Town must provide to the Ministry of Municipal Affairs and Housing a minimum six year water financial plan within six months after the date the licence issued.

The six year financial plan must include: Statement of Financial Positions, Statement of Operations, Statement of Net Financial Assets, and Statement of Cash Flow.

The financial plan must be approved by a resolution that indicates that the drinking water system is financially viable and that is passed by the Council of the Municipality.

2. FINANCIAL PLAN ASSUMPTIONS

The development of the projected six year consolidated financial statements incorporates the trend from 2009 & 2010 actuals and approved 2011 Water Budget, and assumptions for growth of consumption volumes, inflationary factors, lifecycle capital replacement forecast, and water rate forecast.

3. FINANCIAL ASSETS

Financial assets consist of cash & cash equivalents, accounts receivables and inventory for resale. Inventory for resale is water meters to be sold to developers. Forecasted accounts receivable and inventory for resale are based on historical trends.

4. LIABILITIES

Liabilities consist of accounts payable and accrued liabilities, interest payable on debt, deferred revenue and long-term debt.

(a) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent the costs of goods and services acquired in the period and recognized whether or not payments have been made or invoices received. Forecasted accounts payable and accruals are based on historical trend.

(b) Interest Payable on Debt

Interest payable on debt includes half of the balance of unamortized premium of debenture for New Operations Centre and accrued interest expense of debenture related to water.

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Water Financial Plan

(c) Deferred Revenue

Deferred revenue represents the balance of the area specific development charges related to water. These funds, by their nature, are restricted in their use and, until applied to specific capital works, are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are expended.

(d) Long-term Debt

Long-term debt consists of debenture for New Operations Centre which will mature at 2029, debt for watermain on Eagle Street which will mature at 2014, and water portion of debt for Harry Walker Parkway extension which will mature at 2024. No additional debentures are projected in this forecast period.

5. TANGIBLE CAPITAL ASSETS (TCA)

(a) Tangible Capital Assets

Tangible capital assets are physical assets with useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

TCA are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of an asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

	<u>Useful Life - Years</u>
Buildings and building components	20 - 40
Vehicles	4 - 10
Machinery and equipment	3 - 10
Linear assets	
- Watermain	50

Annual amortization is charged in the year the asset is available for productive use and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are shown on a net basis in the financial statements. Residual value is assumed to be \$0 for all TCA contained within the forecast period. Gains/losses on disposal assumed to be \$0 as well.

(b) Additions

Additions are based on the TCA inventory schedule of replacement. The estimated replacement cost is based on 2010 actual unit cost adjusted by 4% construction price index each year during the forecast period.

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THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Water Financial Plan

(c) Contributed / Assumed Assets

These are tangible capital assets contributed by developers or other parties. TCA received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Forecasted amount of contributed /assumed assets is based on the historical trend.

(d) Summary of Water System Tangible Capital Assets

As at December 31	2010	2011	2012	2013	FORECAST				
					2014	2015	2016	2017	
Opening TCA Balance(Historical Cost)	\$69,202,000	\$70,452,000	\$71,634,000	\$73,216,000	\$73,892,000	\$75,333,000	\$75,870,000	\$78,522,000	\$78,522,000
Additions	1,602,000	1,274,000	1,649,000	727,000	1,466,000	648,000	2,827,000	68,000	
Disposals	352,000	92,000	67,000	51,000	25,000	111,000	175,000	56,000	
Closing TCA Balance(Historical Cost)	\$70,452,000	\$71,634,000	\$73,216,000	\$73,892,000	\$75,333,000	\$75,870,000	\$78,522,000	\$78,522,000	\$78,522,000
Opening Accumulated Amortization	21,760,000	22,871,000	24,260,000	25,701,000	27,186,000	28,715,000	30,183,000	31,611,000	
Amortization Expense	1,296,000	1,481,000	1,508,000	1,536,000	1,554,000	1,579,000	1,603,000	1,646,000	
Accumulated Amortization on Disposals	185,000	92,000	67,000	51,000	25,000	111,000	175,000	56,000	
Ending Accumulated Amortization	\$22,871,000	\$24,260,000	\$25,701,000	\$27,186,000	\$28,715,000	\$30,183,000	\$31,611,000	\$33,201,000	
Work - in - Progress	374,000	-	-	-	-	-	-	-	
Net Book Value	\$47,955,000	\$47,374,000	\$47,515,000	\$46,706,000	\$46,618,000	\$45,687,000	\$46,911,000	\$45,333,000	

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7. NET FINANCIAL ASSETS

Net financial assets as defined is the difference between financial assets and liabilities and is a key indicator in determining the water system financial ability to replace its infrastructure. As reflected in the Statement of Changes in Net Financial Assets, the Town is in a net financial assets position which indicates the Town has sufficient resources to finance current and future activities. Forecasted net financial assets for the years 2011-2017 are \$7.6 million - \$28.1 million.

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THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Water Financial Plan

8. ACCUMULATED SURPLUS

The Accumulated Surplus is comprised of the following:

As at December 31	2010	FORECAST						
		2011	2012	2013	2014	2015	2016	2017
Water Rate Stabilization Reserve	\$803,000	\$0	\$0	(\$34,000)	\$246,000	\$863,000	\$1,672,717	\$1,889,738
Asset Replacement Fund	11,851,000	14,151,000	15,858,000	17,791,000	20,112,000	22,184,000	23,424,283	28,551,262
Investment in tangible capital assets	47,955,000	47,374,000	47,515,000	46,706,000	46,618,000	45,687,000	46,911,000	45,333,000
Debtentures	(6,349,000)	(6,748,000)	(6,444,000)	(6,130,000)	(5,804,000)	(5,529,000)	(5,245,000)	(4,953,000)
Accumulated Surplus	\$54,260,000	\$54,777,000	\$56,929,000	\$58,333,000	\$61,172,000	\$63,205,000	\$66,763,000	\$70,821,000

9. Municipal Performance Measures

Performance Measure	2010	FORECAST						
		2011	2012	2013	2014	2015	2016	2017
Operating costs for the distribution of water per kilometre of water distribution pipe	\$18,259	\$23,274	\$23,668	\$24,672	\$25,560	\$26,686	\$27,494	\$28,310

The Corporation of the Town of Newmarket

Wastewater Financial Plan

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**THE CORPORATION OF THE TOWN OF NEWMARKET
WASTEWATER SYSTEM
Statement of Financial Position**

As at December 31

	FORECAST									
	2010	2011	2012	2013	2014	2015	2016	2017		
Financial Assets										
Cash and cash equivalents	\$7,697,000	\$8,612,000	\$9,265,000	\$9,924,000	\$10,903,000	\$11,409,000	\$13,018,000	\$14,965,000		
Accounts receivable	1,685,000	1,737,000	1,956,000	2,137,000	2,322,000	2,514,000	2,711,000	2,926,000		
Total Financial Assets	9,382,000	10,349,000	11,221,000	12,061,000	13,225,000	13,923,000	15,729,000	17,891,000		
Liabilities										
Accounts payable & accrued liabilities	1,901,000	2,075,000	2,324,000	2,603,000	2,915,000	3,265,000	3,526,000	3,737,000		
Interest payable on debt	375,000	338,000	304,000	269,000	233,000	196,000	155,000	114,000		
Deferred revenue	48,000	49,000	50,000	51,000	52,000	53,000	54,000	55,000		
Long-term debt	6,090,000	6,481,000	6,169,000	5,845,000	5,509,000	5,234,000	4,950,000	4,658,000		
Total Liabilities	8,414,000	8,943,000	8,847,000	8,768,000	8,709,000	8,748,000	8,685,000	8,564,000		
Net Financial Assets	968,000	1,406,000	2,374,000	3,293,000	4,516,000	5,175,000	7,044,000	9,327,000		
Non-Financial Assets										
Tangible Capital Assets	60,827,000	60,475,000	61,956,000	61,484,000	62,648,000	62,205,000	62,729,000	61,284,000		
Total Non-Financial Assets	60,827,000	60,475,000	61,956,000	61,484,000	62,648,000	62,205,000	62,729,000	61,284,000		
Total Net Assets	61,795,000	61,881,000	64,330,000	64,777,000	67,164,000	67,380,000	69,773,000	70,611,000		
Accumulated Surplus	\$61,795,000	\$61,881,000	\$64,330,000	\$64,777,000	\$67,164,000	\$67,380,000	\$69,773,000	\$70,611,000		

The accompanying notes are an integral part of these consolidated financial statements.

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**THE CORPORATION OF THE TOWN OF NEWMARKET
WASTEWATER SYSTEM
Statement of Operations**

For the years ended December 31

	FORECAST									
	2010	2011	2012	2013	2014	2015	2016	2017		
Revenues										
Rate based revenue	\$9,849,000	\$11,581,000	\$13,043,000	\$14,245,000	\$15,483,000	\$16,759,000	\$18,075,000	\$19,505,000		
Contributed / Assumed assets	2,195,000	-	2,000,000	-	2,000,000	-	2,000,000	-		
Gain/(loss) on sale of TCA	(90,000)									
Investment income	110,000	112,000	114,000	116,000	118,000	120,000	122,000	124,000		
Other revenue	2,000	-	-	-	-	-	-	-		
Total Revenues	12,066,000	11,693,000	15,157,000	14,361,000	17,601,000	16,879,000	20,197,000	19,629,000		
Expenditures										
Rate based expenditure	6,387,000	6,916,000	7,746,000	8,676,000	9,717,000	10,883,000	11,753,000	12,458,000		
Operating and maintenance	973,000	1,131,000	1,165,000	1,200,000	1,236,000	1,273,000	1,311,000	1,350,000		
Allocated overhead	851,000	1,352,000	1,379,000	1,407,000	1,435,000	1,464,000	1,493,000	1,523,000		
Interest expense	303,000	295,000	306,000	301,000	295,000	290,000	287,000	284,000		
Amortization	1,763,000	1,913,000	2,112,000	2,330,000	2,531,000	2,753,000	2,960,000	3,176,000		
Total Expenditures	10,287,000	11,607,000	12,708,000	13,914,000	15,214,000	16,663,000	17,804,000	18,791,000		
Annual Surplus / (Deficit)	1,779,000	86,000	2,449,000	447,000	2,387,000	216,000	2,393,000	838,000		
Accumulated Surplus, beginning of year	60,016,000	61,795,000	61,881,000	64,330,000	64,777,000	67,164,000	67,380,000	69,773,000		
Accumulated Surplus, end of year	\$61,795,000	\$61,881,000	\$64,330,000	\$64,777,000	\$67,164,000	\$67,380,000	\$69,773,000	\$70,611,000		

The accompanying notes are an integral part of these consolidated financial statements.

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THE CORPORATION OF THE TOWN OF NEWMARKET
WASTEWATER SYSTEM

Statement of Changes in Net Financial Assets

For the years ended December 31

	2010	FORECAST									
		2011	2012	2013	2014	2015	2016	2017			
Annual surplus / (Deficit)	\$1,779,000	\$86,000	\$2,449,000	\$447,000	\$2,387,000	\$216,000	\$2,393,000	\$838,000			
Less: Acquisition of tangible capital assets	(861,000)	(1,561,000)	(1,593,000)	(1,858,000)	(1,695,000)	(2,310,000)	(1,484,000)	(1,731,000)			
Less: Contributed tangible capital assets	(2,195,000)	0	(2,000,000)	0	(2,000,000)	0	(2,000,000)	0			
Add: Amortization of tangible capital assets	1,763,000	1,913,000	2,112,000	2,330,000	2,531,000	2,753,000	2,960,000	3,176,000			
Add: Loss on sale of tangible capital assets	90,000										
Changes in Net Financial Assets	576,000	438,000	968,000	919,000	1,223,000	659,000	1,869,000	2,283,000			
Net Financial Assets, beginning of year	392,000	968,000	1,406,000	2,374,000	3,293,000	4,516,000	5,175,000	7,044,000			
Net Financial Assets, end of year	\$ 968,000	\$ 1,406,000	\$ 2,374,000	\$ 3,293,000	\$ 4,516,000	\$ 5,175,000	\$ 7,044,000	\$ 9,327,000			

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**THE CORPORATION OF THE TOWN OF NEWMARKET
WASTEWATER SYSTEM
Statement of Cashflow**

For the years ended December 31

	FORECAST									
	2010	2011	2012	2013	2014	2015	2016	2017		
Cash Provided By (Used in):										
Operating Activities										
Annual surplus/deficit	1,779,000	86,000	2,449,000	447,000	2,387,000	216,000	2,393,000	838,000		
Add: Amortization	1,763,000	1,913,000	2,112,000	2,330,000	2,531,000	2,753,000	2,960,000	3,176,000		
Less: Contributed/assumed assets	(2,195,000)	0	(2,000,000)	0	(2,000,000)	0	(2,000,000)	0		
Add: Loss on sale of tangible capital assets	90,000									
(Increase)/decrease in A/R	(6,000)	(52,000)	(219,000)	(181,000)	(185,000)	(192,000)	(197,000)	(215,000)		
Increase/(decrease) in A/P	(166,000)	137,000	215,000	244,000	276,000	313,000	220,000	170,000		
Increase/(decrease) in deferred revenue	9,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000		
Net change in cash from operating activities	1,274,000	2,085,000	2,558,000	2,841,000	3,010,000	3,091,000	3,377,000	3,970,000		
Capital Activities										
Cash used to acquire tangible capital assets	(861,000)	(1,561,000)	(1,593,000)	(1,858,000)	(1,695,000)	(2,310,000)	(1,484,000)	(1,731,000)		
Net change in cash from capital activities	(861,000)	(1,561,000)	(1,593,000)	(1,858,000)	(1,695,000)	(2,310,000)	(1,484,000)	(1,731,000)		
Financing Activities										
Proceeds from debt issues	-	667,000								
Principal repayment on long-term debt	(269,000)	(276,000)	(312,000)	(324,000)	(336,000)	(275,000)	(284,000)	(292,000)		
Net change in cash from financing activities	(269,000)	391,000	(312,000)	(324,000)	(336,000)	(275,000)	(284,000)	(292,000)		
Net Change in Cash	144,000	915,000	653,000	659,000	979,000	506,000	1,609,000	1,947,000		
Cash, beginning of year	7,553,000	7,697,000	8,612,000	9,265,000	9,924,000	10,903,000	11,409,000	13,018,000		
Cash, end of year	\$ 7,697,000	\$ 8,612,000	\$ 9,265,000	\$ 9,924,000	\$ 10,903,000	\$ 11,409,000	\$ 13,018,000	\$ 14,965,000		

The accompanying notes are an integral part of these consolidated financial statements.

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THE CORPORATION OF THE TOWN OF NEWMARKET Notes to the Consolidated Wastewater Financial Plan

The Town of Newmarket with a population of 84,000 is located in the Regional Municipality of York, Province of Ontario, Canada. The Town owns and operates its Wastewater Collection System servicing approximately 27,000 property owners. The Region of York is responsible for treatment of wastewater.

1. SIX YEAR WASTEWATER FINANCIAL PLAN

The six year financial plan includes: Statement of Financial Positions, Statement of Operations, Statement of Net Financial Assets, and Statement of Cash Flow.

The financial plan must be approved by a resolution that indicates that the wastewater system is financially viable and that is passed by the Council of the Municipality.

2. FINANCIAL PLAN ASSUMPTIONS

The development of the projected six year consolidated financial statements incorporates the trend from 2009 & 2010 actuals and approved 2011 Wastewater Budget, and assumptions for growth of consumption volumes, inflationary factors, lifecycle capital replacement forecast, and wastewater rate forecast.

3. FINANCIAL ASSETS

Financial assets consist of cash & cash equivalents and accounts receivables. Forecasted accounts receivable is based on historical trends.

4. LIABILITIES

Liabilities consist of accounts payable and accrued liabilities, interest payable on debt, deferred revenue and long-term debt.

(a) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent the costs of goods and services acquired I the period and recognized whether or not payments have been made or invoices received. Forecasted accounts payable and accruals are based on historical trend.

(b) Interest Payable on Debt

Interest payable on debt includes half of the balance of unamortized premium of debenture for New Operations Centre and accrued interest expense of debenture related to wastewater.

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Wastewater Financial Plan

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(c) Deferred Revenue

Deferred revenue represents the balance of the area specific development charges related to wastewater. These funds, by their nature, are restricted in their use and, until applied to specific capital works, are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are expended.

(d) Long-term Debt

Long-term debt consists of debenture for New Operations Centre which will mature at 2029, debt for sanitary sewer on Eagle Street which will mature at 2014, and wastewater portion of debt for Harry Walker Parkway extension which will mature at 2024 . No additional debentures are projected in this forecast period.

5. TANGIBLE CAPITAL ASSETS (TCA)

(a) Tangible Capital Assets

Tangible capital assets are physical assets with useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

TCA are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of an asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings and building components	<u>Useful Life - Years</u>
Vehicles	20 - 40
Machinery and equipment	4 - 10
Linear assets	3 - 10
- Wastewater	50

Annual amortization is charged in the year the asset is available for productive use and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are shown on a net basis in the financial statements. Residual value is assumed to be \$0 for all TCA contained within the forecast period. Gains/losses on disposal assumed to be \$0 as well.

(b) Additions

Additions are based on the TCA inventory schedule of replacement. The estimated replacement cost is based on 2010 actual unit cost adjusted by 4% construction price index each year during the forecast period.

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Wastewater Financial Plan

(c) Contributed / Assumed Assets

These are tangible capital assets contributed by developers or other parties. TCA received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Forecasted amount of contributed /assumed assets is based on the historical trend.

(d) Summary of Wastewater System Tangible Capital Assets

As at December 31	2010	FORECAST									
		2011	2012	2013	2014	2015	2016	2017			
Opening TCA Balance(Historical Cost)	\$88,267,000	\$90,909,000	\$92,455,000	\$95,974,000	\$97,752,000	\$101,365,000	\$103,548,000	\$106,954,000	\$109,623,000	\$106,954,000	\$109,623,000
Additions	2,880,000	1,731,000	3,593,000	1,858,000	3,895,000	2,310,000	3,484,000	78,000	62,000	3,484,000	1,731,000
Disposals	238,000	185,000	74,000	80,000	82,000	127,000	78,000	78,000	62,000	78,000	62,000
Closing TCA Balance(Historical Cost)	\$90,909,000	\$92,455,000	\$95,974,000	\$97,752,000	\$101,365,000	\$103,548,000	\$106,954,000	\$109,623,000	\$106,954,000	\$109,623,000	\$109,623,000
Opening Accumulated Amortization	28,694,000	30,252,000	31,980,000	34,018,000	36,268,000	38,717,000	41,343,000	44,225,000	44,225,000	41,343,000	44,225,000
Amortization Expense	1,706,000	1,913,000	2,112,000	2,330,000	2,531,000	2,753,000	2,960,000	3,176,000	3,176,000	2,960,000	3,176,000
Accumulated Amortization on Disposals	148,000	185,000	74,000	80,000	82,000	127,000	78,000	78,000	62,000	78,000	62,000
Ending Accumulated Amortization	\$30,252,000	\$31,980,000	\$34,018,000	\$36,268,000	\$38,717,000	\$41,343,000	\$44,225,000	\$47,339,000	\$44,225,000	\$47,339,000	\$47,339,000
Work - in - Progress	170,000	-	-	-	-	-	-	-	-	-	-
Net Book Value	\$60,827,000	\$60,475,000	\$61,956,000	\$61,434,000	\$62,648,000	\$62,205,000	\$62,729,000	\$61,284,000	\$62,729,000	\$62,729,000	\$61,284,000

7. NET FINANCIAL ASSETS

Net financial assets as defined is the difference between financial assets and liabilities and is a key indicator in determining the wastewater system financial ability to replace its infrastructure. As reflected in the Statement of Changes in Net Financial Assets, the Town is in a net financial assets position which indicates the Town has sufficient resources to finance current and future activities. Forecasted net financial assets for the years 2011-2017 are \$1.5 million - \$18.3 million.

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Wastewater Financial Plan

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8. ACCUMULATED SURPLUS

The Accumulated Surplus is comprised of the following:

As at December 31	2010	FORECAST						
		2011	2012	2013	2014	2015	2016	2017
Wastewater Rate Stabilization Reserve	\$317,000	\$0	\$58,000	\$270,000	\$615,000	\$1,074,000	\$1,813,550	\$1,951,383
Asset Replacement Fund	6,741,000	7,887,000	8,485,000	8,868,000	9,410,000	9,335,000	10,180,450	12,033,617
Investment in tangible capital assets	60,827,000	60,475,000	61,956,000	61,484,000	62,648,000	62,205,000	62,729,000	61,284,000
Debentures	(6,090,000)	(6,481,000)	(6,169,000)	(5,845,000)	(5,509,000)	(5,234,000)	(4,950,000)	(4,658,000)
Accumulated Surplus	\$61,795,000	\$61,891,000	\$64,330,000	\$64,777,000	\$67,164,000	\$67,380,000	\$69,773,000	\$70,611,000

9. Municipal Performance Measures

Performance Measure	2010	FORECAST						
		2011	2012	2013	2014	2015	2016	2017
Operating costs for the collection/conveyance of wastewater per kilometre of wastewater main	\$12,034	\$16,953	\$17,731	\$18,655	\$19,518	\$20,618	\$21,361	\$22,142